

PACIFIC POWER UTAH POWER

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Mark Lee
Utility Division
Montana Public Service Commission
1207 Prospect Avenue
Helena, Montana 59620

Dear Mr. Lee:

As we discussed, I have enclosed a diagrammatic representation of the WNP3/SMUD Transactions.

To read the diagram start at the top of the circle and work counter-clockwise. The first quarter circle represents the Exchange Agreement between PacifiCorp and Bonneville Power Administration (BPA). In this agreement, PacifiCorp received a power entitlement from BPA as a result of the settlement of a lawsuit related to PacifiCorp shareholders' investment in the uncompleted WNP-3 Nuclear Project.

In the second section of the circle, the Assignment Agreement transfers the power entitlement to Sacramento Utility District (SMUD) in exchange for \$98 million. This payment was recorded as an extraordinary gain relating to non-utility property partially offsetting the extraordinary loss relating to the Company's WNP-3 investment.

In the Power Exchange Agreement, SMUD traded the seasonal power entitlement to PacifiCorp Electric Operations for annual firm delivery of power. In addition, SMUD pays PacifiCorp the production cost of the energy delivered.

The last quarter of the circle shows PacifiCorp's customers receiving power through the power entitlement upon execution of the Exchange Agreement with BPA, and paying the surrogate nuclear costs as defined in that agreement.

If I can provide further information, please advise.

Sincerely,

/s/GND

Gregory N. Duvall, Manager
Power Planning Regulatory
& Agency Affairs

WNP3/ SMUD Transaction

